



# Department of Justice

FOR IMMEDIATE RELEASE  
WEDNESDAY, FEBRUARY 22, 2006  
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CRM  
(202) 514-2008  
TDD (202) 514-1888

## **WILLIAMS POWER COMPANY, INC., TO PAY \$50 MILLION PENALTY TO RESOLVE CRIMINAL ALLEGATIONS**

WASHINGTON, D.C. – Williams Power Company Inc. (WPC), a Delaware corporation, has entered into an agreement with the government resolving an ongoing federal investigation into the submission of knowingly inaccurate reports by WPC concerning a commodities market, Assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney Kevin V. Ryan of the Northern District of California announced today.

Under the terms of the deferred prosecution agreement, WPC – a wholly owned subsidiary of Tulsa, Oklahoma-based the Williams Companies, Inc. (Williams) – will pay a \$50 million penalty to the U.S. Treasury.

WPC has accepted and acknowledged responsibility for the actions of its former employees, and is required by the agreement to cooperate fully with the investigation being conducted by the Fraud Section of the Criminal Division at the Department of Justice and the U.S. Attorney's Office in San Francisco. Because of the cooperation commitment and the remedial actions taken by the company to date, and in conjunction with the payment of substantial monetary fines, the Department of Justice has agreed not to file criminal charges stemming from the investigation for a 15-month period. If WPC fails to comply fully with the terms of the agreement during that 15-month period, the Department of Justice will charge WPC with delivering knowingly inaccurate reports concerning the commodities market for natural gas.

Williams, one of the largest volume-transporters of natural gas in the United States, agreed by letter to uphold the terms of the government's agreement with its subsidiary.

According to a statement of facts filed with the agreement, between June 1998 and October 2002, traders at WPC's East and West natural gas trading desks submitted knowingly inaccurate trade data, including fictitious trades, incorrect volumes and/or prices, and incomplete trade reports to industry publications, for the purpose of benefitting WPC's gas trading positions. Natural gas traders use the published index prices to price and settle certain physical and over-the-counter financial derivative natural gas transactions. Certain WPC traders also attempted to conceal the falsity of these submissions by providing misleading and inaccurate information to industry publications in response to requests to confirm reported trade information. Upon discovery of the false reporting, WPC management alerted government authorities.

This agreement follows the entry of guilty pleas to manipulation of natural gas prices in violation of 7 U.S.C. § 13(a)(2) by two former Williams traders, Brion Scott McKenna and Thomas J. Pool in the Northern District of California.

“We cannot permit the reporting of false data into the energy markets to go unchecked,” said Assistant Attorney General Fisher. “The Department of Justice is committed to ensuring the integrity of our markets, including the natural gas markets.”

“The provision of false information by Williams employees in the gas trading markets gave an unfair and illegal advantage to the company, while disrupting the appropriate functioning of the gas markets,” said U.S. Attorney Ryan. “This agreement serves a dual purpose of sending a message of deterrence through a \$50 million fine, and ensuring a mechanism for future cooperation with authorities and remedial actions.”

“This deferred prosecution demonstrates that the FBI has maintained their vigilance in the pursuit of individuals and companies who misreport gas prices that affect the California energy markets,” said Joe Ford, Special Agent in Charge of the FBI in San Francisco.

The Justice Department’s investigation into the WPC matter is being conducted by the Fraud Section of the Criminal Division, the United States Attorney’s Office for the Northern District of California, and the Federal Bureau of Investigation. The investigation was also supported by the Antitrust Division of the Department of Justice and the Commodity Futures Trading Commission.

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